

VZCZCXRO8012

PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR

DE RUEHSQ #0879/01 3091309

ZNY EEEEE ZZH

P 051309Z NOV 07

FM AMEMBASSY SKOPJE

TO RUEHNO/USMISSION USNATO PRIORITY 3713

RUEHC/SECSTATE WASHDC PRIORITY 6677

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE 0077

RUEAIIA/CIA WASHINGTON DC

RUEKDIA/DIA WASHINGTON DC

RUEKJCS/Joint STAFF WASHINGTON DC

RUEKJCS/SECDEF WASHINGTON DC

RUESEN/SKOPJE BETA

RUEHSQ/USDAO SKOPJE MK

RHEHNSC/WHITE HOUSE NATIONAL SECURITY COUNCIL

UNCLAS E F T O SECTION 01 OF 03 SKOPJE 000879

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E.O. 12958: DECL: 11/06/2017

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SUBJECT: MACEDONIA: SCENESETTER FOR US INTERAGENCY NATO MAP
VISIT

Classified By: P/E CHIEF SHUBLER, REASONS 1.4(b) & (d).

GRUEVSKI ON THE ROPES: AVOID A ONE-TWO KNOCKOUT PUNCH...

¶1. (SBU/NF) When you step off the plane in Skopje on November 7, PM Gruevski will have just taken a beating from Brussels, having received the EU's annual progress report on November

¶16. The report will criticize the lack of political consensus here, slow progress on EU-related reforms, and the lack of effective PM-President cohabitation, among others. It will not recommend a date for beginning EU accession negotiations, a rebuke of the Gruevski government that was expected but will sting nonetheless. The opposition and media will make hay out of the report's negatives, hammering Gruevski for the "lost year" since he took office last August. Gruevski will be bruised and on the defensive. He will be eager to blame "someone else" for the negative assessments which, in his view, undervalue his achievements.

...IRON FIST, VELVET GLOVE: START WITH THE POSITIVE

¶12. (SBU) Your message to Gruevski on NATO membership must be equally tough and hard-hitting. But it should be preceded by some positives to make it easier to digest:

--Macedonia has made good anti-TIP progress this year, moving from a Tier II Watchlist candidate to a solid Tier II performer. The government has also shown progress on the anti-corruption front, jumping from 105th place on Transparency International's corruption perception index in 2006 to 84th place this year. The government has actively pursued corruption investigations and prosecutions, although some cases clearly have been motivated by partisan considerations (including the ongoing prosecution of former PM Buckovski).

--Framework Agreement (FWA) implementation has progressed, with phase II of decentralization having begun as scheduled in 42 of Macedonia's 84 municipalities in July of this year, and continued hiring of ethnic Albanian and other minorities to implement equitable representation. More remains to be done. The GOM needs to work with the remaining 42 municipalities to prepare them to take part in phase II of decentralization. Despite its oft-touted "tripling of the

equitable representation budget for 2007," the government also needs to clear up the currently murky process for hiring ethnic minorities with transparent, fair, and non-partisan hiring guidelines.

--Macedonia is showing positive economic performance, with the country recently ranked by the World Bank as one of the top 10 "most improved" countries in carrying out business environment reforms. Gruevski has raised public sector wages and cut VAT rates on some key consumer items, which has helped keep his poll numbers strong. Starting in 2008, personal and corporate tax rates will fall from 12 percent to 10 percent (flat tax), one of the lowest tax rates in Europe.

--Rounding out its achievements, the GOM passed this year a liberal religious freedom law which generally meets ODIHR standards for protecting religious freedom. The GOM just submitted for parliamentary approval a decision calling for doubling Macedonia's contributions in Iraq -- by an additional platoon -- and MOD Elenovski says Macedonia also is considering a future increase in its troop contributions in Afghanistan (President Crvenkovski paid a morale-booster visit to ARM troops in ISAF October 10-11). Although cohabitation remains poor, President Crvenkovski recently accepted PM Gruevski's offer to meet monthly to "harmonize positions on strategic issues."

NATO BID IN THE BALANCE: "MAKE A U-TURN, OR YOU'RE HEADED FOR THE OFF RAMP"

¶3. (SBU) Despite positive accomplishments, movement on key political criteria has been glacial since you were here in June. There has been some slight movement on two of the five points in the May 29 VMRO-DUI agreement, but the two main

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issues -- a draft language law and a social package for former insurgents -- are stuck in a quagmire of political gamesmanship on both sides. As earlier, Gruevski holds the key to de-blocking the process but prefers to blame others for the deadlock. DUI and Gruevski ally DPA also are at loggerheads, despite a recent attempt by Albania's President to nudge both sides toward rapprochement. The two ethnic Albanian parties are being blamed in the media for direct or indirect links to recent incidents near the border with Kosovo that have involved arms smuggling, movements of criminal elements, and a recent shoot-out between rival criminal groups. Some local analysts (incorrectly, in our view) have assessed those incidents as "security challenges" that could be destabilizing as Kosovo status approaches.

¶4. (SBU/NF) The government has managed to fill four of the remaining five seats on the 15-member State Judicial Council (SJC), which has allowed the SJC to fully function. It achieved that goal, however, through a tactical end run around the President and ethnic Albanian opposition DUI, which further damaged relations with DUI. Gruevski has refused to agree to the President's proposals to fill the remaining seat to complete the SJC. By alienating DUI, Gruevski also has ensured a tough slog as the MOI moves to implement the law on police, which will require DUI buy-in.

¶5. (SBU/NF) Your message to the GOM accordingly should be hard-hitting:

"If you do not change the way you are working, if you fail to work with the opposition to build consensus on May 29 implementation, completion of the SJC, and implementation of the police law -- among others -- you will not need to worry about a Greek veto of your NATO candidacy. You will have failed to meet NATO criteria. The image you convey in implementing priority tasks -- whether you bypass the opposition or work to build consensus -- is critical to promoting your candidacy with other NATO allies. We will press the opposition to be flexible as well. But you are responsible for following through to change the current

negative atmosphere. Your NATO bid hangs in the balance."

¶ 16. (SBU) The opposition needs to hear an equally tough message about acting responsibly: "Now is not the time for partisan gamesmanship or filibusters that could endanger Macedonia's NATO bid. Not just Gruevski, but Ahmeti too needs to abide by the May 29 agreement (e.g., no law/law for former fighters, but just a social package). Short-term partisan gains could cost your country its NATO candidacy. All must demonstrate flexibility and a readiness to compromise for Macedonia's sake."

COURSE CORRECTION ALSO NEEDED ON THE NAME ISSUE

¶ 17. (SBU/NF) The GOM has, by and large, tried to act with restraint on the name issue, despite missteps by both UNGA President Srjan Kerim and President Crvenkovski at the UNGA in September that understandably provoked strong Greek reactions. Ambassador Dimitrov was in New York November 1 for further discussions on the name with his Greek counterparts and Ambassador Nimetz. Nimetz proposed some guidelines and principles for moving toward a solution of the name issue, which FM Milososki cautiously described as "generally positive," while declining to reveal any details of the proposal in accordance with the agreement between the parties involved.

¶ 18. (SBU/NF) PM Gruevski, however, succumbed to temptation and told local press that the GOM could not accept one of the points in the proposal that would require Macedonia to use a modified name for international use. That statement violated Nimetz's request for confidentiality and undermined the overall process. We are urging both sides to "study the Nimetz paper with an open mind and with a view toward finally resolving differences and reaching a long-overdue, near-term solution to the issue." You should underscore the importance of this, without suggesting that the U.S. is asking Macedonia to alter its constitutional name. At the same time, you

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should remind Gruevski and his colleagues that they should take the high ground and refrain from provoking Greece or responding to provocations.

MILOVANOVIC